

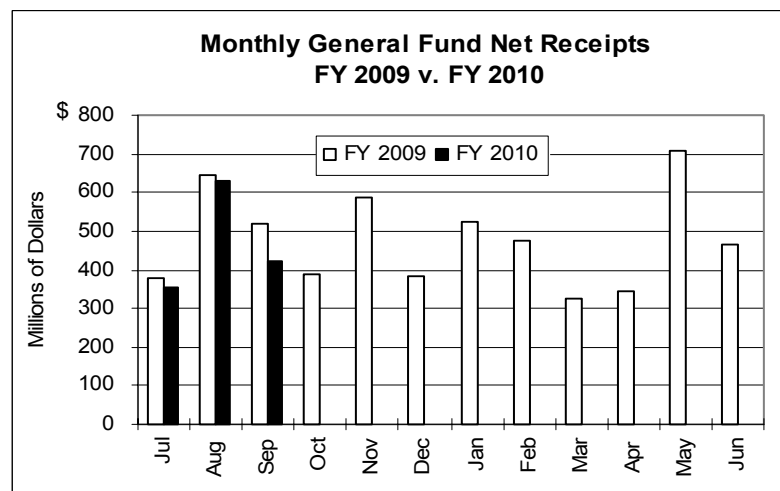
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 1, 2009

### Monthly General Fund Receipts through September 30, 2009

The attached spreadsheet presents FY 2010 General Fund total net receipts with comparable figures for actual FY 2009. The figures can be compared to the FY 2010 estimate of \$5.711 billion set by the Revenue Estimating Conference (REC) on March 20, 2009, and adjusted for post-REC Legislative changes. The FY 2010 estimate is a decrease of \$38.2 million (- 0.7%) compared to actual FY 2009 total net receipts (excludes transfers). The next REC meeting is scheduled for October 7, 2009.



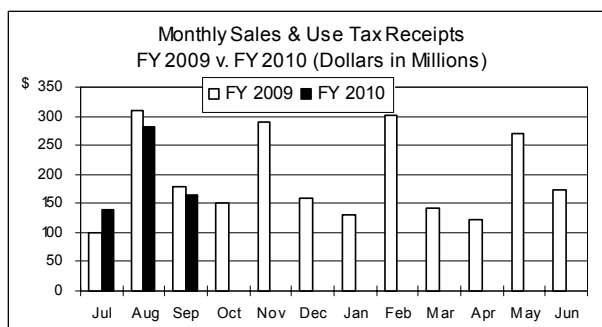
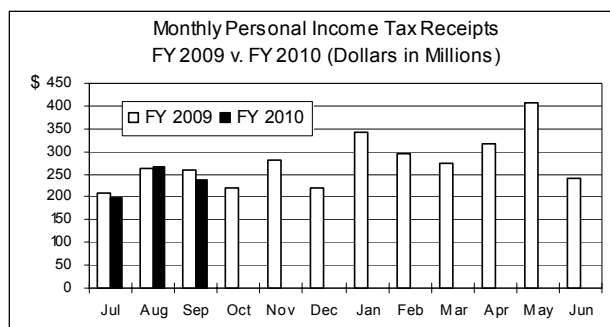
### FY 2010 Compared to FY 2009

Year-to-date FY 2010 total net receipts (excluding transfers) decreased \$141.1 million (- 9.1%) compared to FY 2009. Major sources and their contribution to the FY 2010 change include:

- Personal income tax (negative \$34.0 million, - 4.6%)
- Sales/use tax (negative \$1.2 million, - 0.2%)
- Corporate tax (negative \$26.5 million, - 27.5%)
- Other taxes (negative \$17.3 million, - 11.7%)
- Other receipts (negative \$12.2 million, - 9.4%)
- Tax refunds not including school infrastructure refunds (negative \$12.2 million)
- School infrastructure sales/use tax refunds (negative \$37.3 million)

**Personal Income Tax** revenues received in September totaled \$237.3 million, a decrease of \$23.0 million (- 8.8%) compared to September 2008.

The FY 2010 REC income tax estimate of \$3.311 billion represents a projected change of negative 0.6% compared to actual FY 2009. Through September, total income tax receipts decreased 4.6%. By subcategory, withholding payments decreased by \$0.5 million (- 0.2%) year-to-date, estimate payments decreased by \$28.8 million (- 27.9%), and payments with returns decreased by \$4.8 million (- 31.2%). The following chart compares FY 2010 monthly income tax receipts from the three personal income tax subcategories with FY 2009.



**Sales/Use Tax** receipts received in September totaled \$165.5 million, a decrease of \$14.0 million (- 7.8%) compared to September 2008.

The REC estimate for FY 2010 Sales/Use Tax receipts is \$2.398 billion, an increase of 3.0% compared to actual FY 2009. Through September, total gross sales/use tax receipts have decreased 0.2%. The preceding chart compares FY 2010 monthly sales/use tax receipts with FY 2009.

**Corporate Tax** receipts received in September totaled \$38.3 million, a decrease of \$17.7 million (- 31.6%) compared to September 2008.

The REC estimate for FY 2010 corporate tax revenue is \$394.2 million, a decrease of 5.4% compared to actual FY 2009. Cash fiscal year-to-date total corporate tax revenue has decreased 27.5%.

**Other tax receipts** received in September totaled \$32.0 million, a decrease of \$1.2 million (- 3.6%) compared to September 2008. The franchise tax and tobacco tax were the only taxes with increases in September.

The REC estimate for FY 2010 other tax revenue is \$458.9 million, an increase of 0.9% compared to actual FY 2009. Through September, other tax revenue decreased 11.7%.

**Other receipts** (non-tax receipts) received in September totaled \$43.3 million, a decrease of \$5.5 million (- 11.3%) compared to September 2008. A \$6.3 million transfer of liquor profits occurred in August 2009, while no transfer occurred in August 2008. This revenue boost was reversed in September. Judicial Revenue increased \$2.4 million while all other receipts were negative for September.

The REC estimate for FY 2010 other receipts revenue is \$362.6 million, a decrease of 7.4% compared to actual FY 2009. Cash fiscal year-to-date total other receipts have decreased 9.4%

**Tax Refunds** issued in September totaled \$70.3 million, an increase of \$40.6 million (136.7%) compared to September 2008. Corporate tax refunds accounted for \$29.1 million of the increase of tax refunds in September. School infrastructure refunds totaled \$26.6 million in September, a decrease of \$2.3 million. The REC estimate for FY 2010 regular tax refunds is \$821.0 million, an increase of 2.1% compared to FY 2009. Cash fiscal year-to-date regular tax refunds have increased 13.2%.

## **Fiscal Year 2009 - Final**

General Fund net revenue for FY 2009 has been finalized. Gross cash basis revenue was final June 30 and the fiscal year closed for tax and school infrastructure refunds on August 31. Accrued revenue adjustments and transfers from other funds were made final at the end of September. Net General Fund revenue was \$104.3 million below the REC estimate. The following table provides comparisons between the REC estimates and the actual amounts.

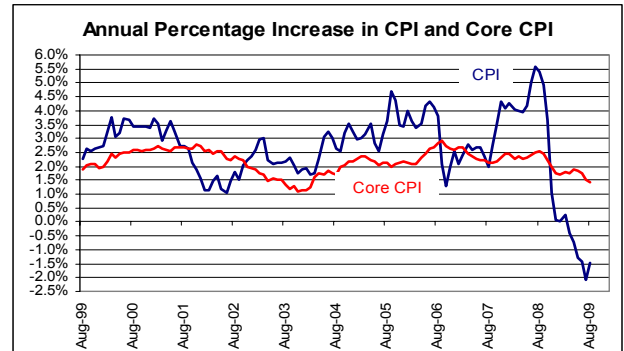
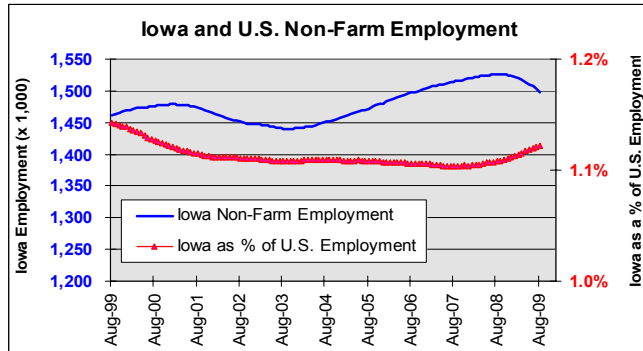
### **FY 2009 - In Millions of Dollars**

	REC Estimate	Actual	Difference
Gross Revenue, Cash Basis	\$6,980.0	\$6,921.5	-\$58.5
Accruals	-\$0.1	\$17.2	\$17.3
Regular Tax Refunds	-760.0	-803.9	-43.9
School Infrastructure Refunds	-357.5	-385.8	-28.3
Transfers	\$130.6	\$139.7	9.1
Net Revenue	<u>\$5,993.0</u>	<u>\$5,888.7</u>	<u>-\$104.3</u>

## **Status of the Economy**

Iowa non-farm employment was reported at 1,464,200 for the month of August (not seasonally adjusted), 48,700 lower (- 3.2%) than August 2008.

Iowa's 12-month average employment is presented in a graph below. The 12-month average peaked in October 2008 at 1,525,400, 46,100 jobs above the January 2001 pre-recession peak. The current 12-month average reading is now 1,498,700 so annual average Iowa non-farm employment is 26,700 below the October 2008 peak. During the previous recession, the 12-month average declined 38,800 jobs, peak to trough. The employment chart also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of U.S. non-farm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since January 2008, as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices Increased 0.2% in August (not seasonally adjusted). The Consumer Price Index (CPI-U) through August 2009 was 215.8 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at negative 1.5%, the sixth consecutive negative annual rate.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% for the month of August and stands at 1.4%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for nine consecutive months. For the two components excluded from the core rate, energy prices are down 23.0% year-over-year while food prices are up 0.6%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2009 vs. FY 2010 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 09 Actual Compared to FY 10 REC Estimate		
	FY 2009	FY 2010	Year to Date % Change	September % Change	Actual FY 2009	Estimate FY 2010	Projected % Change
Personal Income Tax	\$ 733.4	\$ 699.4	-4.6%	-8.8%	\$ 3,330.7	\$ 3,311.3	-0.6%
Sales/Use Tax	588.5	587.3	-0.2%	-7.8%	2,327.4	2,397.8	3.0%
Corporate Income Tax	96.3	69.8	-27.5%	-31.6%	416.5	394.2	-5.4%
Inheritance Tax	21.7	17.1	-21.2%	-27.5%	75.4	78.4	4.0%
Insurance Premium Tax	48.1	40.0	-16.8%	0.0%	90.0	108.6	20.7%
Cigarette Tax	60.4	56.1	-7.1%	-4.8%	215.8	201.9	-6.4%
Tobacco Tax	6.2	7.3	17.7%	75.0%	23.0	23.0	0.0%
Beer Tax	4.3	4.1	-4.7%	-14.3%	14.7	14.8	0.7%
Franchise Tax	6.2	6.9	11.3%	24.4%	33.7	31.2	-7.4%
Miscellaneous Tax	0.6	-1.3	-316.7%	-80.0%	2.4	1.0	-58.3%
Total Special Taxes	\$ 1,565.8	\$ 1,486.8	-5.0%	-10.5%	\$ 6,529.6	\$ 6,562.2	0.5%
Institutional Payments	3.9	4.1	5.1%	-13.3%	15.5	13.7	-11.6%
Liquor Profits	15.3	19.3	26.1%	-38.8%	85.5	74.6	-12.7%
Interest	4.2	0.2	-95.2%	-91.7%	14.6	14.1	-3.4%
Fees	19.4	11.8	-39.2%	-35.1%	77.7	48.7	-37.3%
Judicial Revenue	16.6	19.9	19.9%	36.4%	98.8	114.0	15.4%
Miscellaneous Receipts	12.9	7.5	-41.9%	-20.0%	39.8	37.8	-5.0%
Racing and Gaming Receipts	57.9	55.2	-4.7%	-3.5%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,696.0	\$ 1,604.8	-5.4%	-10.6%	\$ 6,921.5	\$ 6,925.1	0.1%
Accrued Revenue-Net					17.2	8.6	
Tax Refunds *	-94.7	-107.2	13.2%	136.7%	-803.9	-821.0	2.1%
School Infrast. Refunds *	-57.7	-95.0	64.6%	-8.0%	-385.8	-401.9	4.2%
TOTAL NET RECEIPTS	\$ 1,543.6	\$ 1,402.5	-9.1%	-19.2%	\$ 5,749.0	\$ 5,710.8	-0.7%
* For FY 2009 and FY 2010 Year-to-Date, refunds are listed on a cash basis. For FY 2009 Actual and FY 2010 Estimate, refunds are listed on a fiscal year basis.							